



**Zytronic plc**

Interim Report for the six months to 31 March 2016

# The world at your fingertips



Review of the period

## Overview

Zytronic is a leading global manufacturer of touch-based products for public access and industrial applications.

**Over 15 years we have developed our patented PCT™ and MPCT™ sensing technologies into a family of product offerings. Operating through a network of channel partners across the globe,** our integrated technologies are being used at leisure, on the street and in the workplace.

Unlike the majority of other touch technologies, the active component of Zytronic's technology is embedded behind the glass front for protection, providing a true safety laminated, pure-glass fronted construction.



## Highlights

- Group revenue of £9.9m (H1 2015: £10.0m)
- Touch revenues account for 84% of total (H1 2015: 80%)
- Gross profit margin improved to 42.3% (H1 2015: 39.9%)
- Profit before tax increased by 8% to £1.8m (H1 2015: £1.6m)
- Earnings per share (“EPS”) increased to 9.6p (H1 2015: 8.7p)
- Interim dividend increased by 10% to 3.45p per share (2015 interim dividend: 3.14p)
- Net cash increased by £1.0m to £9.5m (30 September 2015: £8.5m)

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[www.zytronic.co.uk](http://www.zytronic.co.uk)

An in-depth view of our technology and applications.

## Chairman's statement

“The second half has so far experienced a similar trend with touch product revenues continuing to increase relative to the traditional products.”

### Introduction

We are pleased to announce that the year has started well with a continuing improvement in margins and profits combined with strong cash generation in the first half.

### Results

Profit after tax increased by 11% to £1.5m (2015: £1.3m) principally as a result of an improved gross margin of 42.3% (2015: 39.9%) on slightly lower sales of £9.9m (2015: £10.0m). Diluted earnings per share increased by 10% to 9.5p (2015: 8.6p).

Whilst revenues were slightly lower by 1% at £9.9m, this was to some extent expected and consistent with the strategy of moving away from the business' traditional glass displays and growing its technologically advanced touch product business.

Sales of touch products accounted for 84% of the business (2015: 79%), as sales of touch products increased by £0.4m to £8.3m (2015: £7.9m), and sales of glass displays and filter products reduced by £0.5m to £1.6m (2015: £2.1m).

The Group has continued to see growth and opportunities in areas that require larger size touch sensors, in particular, demand in its large format curved products developed for the gaming industry. The strategy continues to be to expand its global sales reach by concentrating on the applicable markets where the combination of expertise and capabilities in rugged glass solutions, larger format touch technology and developing product functionality provides a competitive advantage.

### Cash generation

The Group generated a net cash inflow of £2.5m before investment of £0.4m in capital expenditure and the payment of dividends of £1.4m, resulting in an increase in net cash to £9.5m as at 31 March 2016 after the mortgage liability (30 September 2015: £8.5m).

### Dividend

The Directors have declared a 10% increase to the interim dividend to 3.45p per share (2015: 3.14p) payable on 22 July 2016 to shareholders on the Register on 8 July 2016.

### Outlook

The second half has so far experienced a similar trend with touch product revenues continuing to increase relative to the traditional products, and the consequent improved margins from this change in mix and the move towards the more niche larger touch sensors. We expect to continue to make progress and will update shareholders as appropriate during the year.

### Tudor Davies B.Sc.

Chairman

17 May 2016

## Financial statements

**Consolidated statement of comprehensive income**

Unaudited results for the six months to 31 March 2016

	Notes	Six months to 31 March 2016 Unaudited £'000	Six months to 31 March 2015 Unaudited £'000	Year to 30 September 2015 Audited £'000
<b>Group revenue</b>		<b>9,868</b>	10,004	21,267
Cost of sales		<b>(5,692)</b>	(6,015)	(12,366)
<b>Gross profit</b>		<b>4,176</b>	3,989	8,901
Distribution costs		<b>(198)</b>	(115)	(278)
Administration expenses		<b>(2,220)</b>	(2,246)	(4,073)
<b>Group operating profit</b>		<b>1,758</b>	1,628	4,550
Finance costs		<b>(12)</b>	(15)	(29)
Finance revenue		<b>8</b>	11	23
<b>Profit before tax</b>		<b>1,754</b>	1,624	4,544
Tax expenses	3	<b>(271)</b>	(290)	(775)
<b>Profit for the period</b>		<b>1,483</b>	1,334	3,769
<b>Earnings per share</b>				
Basic	4	<b>9.6p</b>	8.7p	24.7p
Diluted	4	<b>9.5p</b>	8.6p	24.3p

All profits are from continuing operations.

**Consolidated statement of changes in equity**

Unaudited results for the six months to 31 March 2016

	Called up share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
<b>At 30 September 2015</b>	153	7,552	12,986	20,691
Profit for the period	—	—	1,483	1,483
Exercise of share options	1	214	—	215
Share-based payments	—	—	35	35
Dividends	—	—	(1,368)	(1,368)
<b>At 31 March 2016 (unaudited)</b>	<b>154</b>	<b>7,766</b>	<b>13,136</b>	<b>21,056</b>

## Financial statements

# Consolidated balance sheet

Unaudited results at 31 March 2016

	Notes	At 31 March 2016 Unaudited £'000	At 31 March 2015 Unaudited £'000	At 30 September 2015 Audited £'000
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets		1,507	1,415	1,427
Property, plant and equipment		7,547	7,677	7,807
		<b>9,054</b>	9,092	9,234
<b>Current assets</b>				
Inventories		3,140	3,085	3,214
Trade and other receivables		3,362	3,076	3,055
Other current financial assets		—	110	—
Cash and short term deposits		10,757	8,730	9,833
		<b>17,259</b>	15,001	16,102
<b>Total assets</b>		<b>26,313</b>	24,093	25,336
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables		1,378	1,656	971
Financial liabilities		200	200	200
Other current financial liabilities		470	519	89
Accruals		1,013	959	1,201
Tax liabilities		286	232	255
		<b>3,347</b>	3,566	2,716
<b>Non-current liabilities</b>				
Financial liabilities		1,096	1,243	1,144
Provisions	5	170	102	136
Government grants		54	63	59
Deferred tax liabilities (net)		590	596	590
		<b>1,910</b>	2,004	1,929
<b>Total liabilities</b>		<b>5,257</b>	5,570	4,645
<b>Net assets</b>		<b>21,056</b>	18,523	20,691
<b>Equity</b>				
Equity share capital		154	153	153
Share premium		7,766	7,430	7,552
Revenue reserve		13,136	10,940	12,986
<b>Total equity</b>		<b>21,056</b>	18,523	20,691

# Consolidated cashflow statement

Unaudited results for the six months to 31 March 2016

	Notes	Six months to 31 March 2016 Unaudited £'000	Six months to 31 March 2015 Unaudited £'000	Year to 30 September 2015 Audited £'000
<b>Operating activities</b>				
Profit from continuing operations		1,754	1,624	4,544
Net finance costs		4	4	6
Depreciation and impairment of property, plant and equipment		405	362	708
Amortisation and impairment of intangible assets		152	166	336
Loss on disposal of intangible assets		—	—	54
Amortisation of government grant		(5)	—	(4)
Share-based payments		35	88	180
Fair value movement on foreign exchange forward contracts		381	233	(87)
<b>Working capital adjustments</b>				
Decrease/(increase) in inventories		74	41	(88)
(Increase)/decrease in trade and other receivables		(313)	(8)	13
Increase/(decrease) in trade and other payables and provisions		286	163	(249)
Cash generated from operations		2,773	2,673	5,413
Tax paid		(234)	(89)	(556)
<b>Net cashflow from operating activities</b>		<b>2,539</b>	<b>2,584</b>	<b>4,857</b>
<b>Investing activities</b>				
Interest received		8	11	23
Proceeds from disposal of property, plant and equipment		—	—	3
Receipt of government grant		—	63	63
Payments to acquire property, plant and equipment		(176)	(499)	(994)
Payments to acquire intangible assets		(232)	(168)	(388)
<b>Net cashflow from investing activities</b>		<b>(400)</b>	<b>(593)</b>	<b>(1,293)</b>
<b>Financing activities</b>				
Interest paid		(12)	(15)	(26)
Dividends paid to equity shareholders of the parent		(1,368)	(1,093)	(1,574)
Proceeds from share issues relating to options		215	141	263
Repayment of borrowings		(50)	(100)	(200)
<b>Net cashflow from financing activities</b>		<b>(1,215)</b>	<b>(1,067)</b>	<b>(1,537)</b>
<b>Increase in cash and cash equivalents</b>		<b>924</b>	<b>924</b>	<b>2,027</b>
Cash and cash equivalents at the beginning of the period		9,833	7,806	7,806
<b>Cash and cash equivalents at the end of the period</b>	7	<b>10,757</b>	<b>8,730</b>	<b>9,833</b>

## Financial statements

# Notes to the interim report

Unaudited results for the six months to 31 March 2016

## 1. Basis of preparation

The financial information in these interim statements is prepared under the historical cost convention and in accordance with international accounting standards. It does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006 and does not reflect all the information contained in the Group's annual report and financial statements.

The tax charge is calculated by applying the Directors' best estimate of the annual tax rate to the profit for the period. Other expenses are accrued in accordance with the same principles used in the preparation of the annual report and financial statements.

The interim results for the six months to 31 March 2016 are not reviewed by Ernst & Young LLP and accordingly no opinion has been given.

The interim financial statements have been prepared using the same accounting policies and methods of computation used to prepare the 2015 annual report and financial statements.

The financial information for the six months to 31 March 2016 and the comparative financial information for the six months to 31 March 2015 have not been audited. The comparative financial information for the year ended 30 September 2015 has been extracted from the 2015 annual report and financial statements.

The annual report and financial statements for the year ended 30 September 2015, which were approved by the Board of Directors on 7 December 2015, received an unqualified audit report, did not contain a statement under Section 498(2) or (3) of the Companies Act 2006 and have been filed with the Registrar of Companies.

The Group has one reportable business segment comprising the development and manufacture of customised optical products to enhance electronic display performance. Products in this reportable business segment include touch sensors, filters and other laminated products. All revenue, profits or losses before tax and net assets are attributable to this reportable business segment.

## 2. Basis of consolidation

The Group results consolidate the accounts of Zytronic plc and all its subsidiary undertakings drawn up to 31 March 2016.

## 3. Tax charge on profit on ordinary activities

The estimated tax rate for the year of 15.5% has been applied to the half year's profit before tax, in accordance with the Auditing Standard Board's statement on interim reports.

## 4. Earnings per share

Basic EPS is calculated by dividing the profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the period. All activities are continuing operations and therefore there is no difference between EPS arising from total operations and EPS arising from continuing operations.

### For the six months to 31 March 2016 and 2015

	Earnings 31 March 2016 £'000	Weighted average number of shares 31 March 2016 Thousands	EPS 31 March 2016 Pence	Earnings 31 March 2015 £'000	Weighted average number of shares 31 March 2015 Thousands	EPS 31 March 2015 Pence
Profit on ordinary activities after tax	1,483	15,369	9.6	1,334	15,221	8.7
Basic EPS	1,483	15,369	9.6	1,334	15,221	8.7

#### 4. Earnings per share *continued*

##### For the six months to 31 March 2016 and 2015 *continued*

The weighted average number of shares for diluted EPS is calculated by including the weighted average number of shares under option.

	Earnings 31 March 2016 £'000	Weighted average number of shares 31 March 2016 Thousands	EPS 31 March 2016 Pence	Earnings 31 March 2015 £'000	Weighted average number of shares 31 March 2015 Thousands	EPS 31 March 2015 Pence
Profit on ordinary activities after tax	1,483	15,369	9.6	1,334	15,221	8.7
Weighted average number of shares under option	—	197	(0.1)	—	235	(0.1)
Diluted EPS	1,483	15,566	9.5	1,334	15,456	8.6

##### For the year to 30 September 2015

	Earnings 30 September 2015 £'000	Weighted average number of shares 30 September 2015 Thousands	EPS 30 September 2015 Pence
Profit on ordinary activities after tax	3,769	15,259	24.7
Basic EPS	3,769	15,259	24.7

The weighted average number of shares for diluted EPS is calculated by including the weighted average number of shares under option.

	Earnings 30 September 2015 £'000	Weighted average number of shares 30 September 2015 Thousands	EPS 30 September 2015 Pence
Profit on ordinary activities after tax	3,769	15,259	24.7
Weighted average number of shares under option	—	239	(0.4)
Diluted EPS	3,769	15,498	24.3

#### 5. Provisions

	Long term incentive scheme £'000	Total £'000
<b>At 1 October 2015</b>	136	136
Arising during the year	34	34
<b>At 31 March 2016</b>	<b>170</b>	<b>170</b>
Non-current	170	170

## Financial statements

# Notes to the interim report *continued*

Unaudited results for the six months to 31 March 2016

## 5. Provisions *continued*

### Long term incentive scheme

The provision for the long term incentive scheme relating to the Chief Executive, the Group Finance Director and other management personnel is calculated based on future expectations that the bonus will be payable. Management has assessed the criteria that determine the payout and taken a view that a proportion of the bonus should again be provided for in the half year ended 31 March 2016.

## 6. Dividends

The Directors propose the payment of an interim dividend of 3.45p per share (2015 interim dividend: 3.14p), payable on 22 July 2016 to shareholders on the Register on 8 July 2016. This dividend has not been accrued in these interim accounts. The dividend payment will be approximately £532,000.

	Six months to 31 March 2016 Unaudited £'000	Six months to 31 March 2015 Unaudited £'000	Year to 30 September 2015 Audited £'000
<b>Ordinary dividends on equity shares</b>			
Final dividend of 7.16p per ordinary share paid on 13 March 2015	—	1,093	1,093
Interim dividend of 3.14p per ordinary share paid on 24 July 2015	—	—	481
Final dividend of 8.87p per ordinary share paid on 11 March 2016	<b>1,368</b>	—	—
	<b>1,368</b>	1,093	1,574

## 7. Cash and cash equivalents

	Six months to 31 March 2016 Unaudited £'000	Six months to 31 March 2015 Unaudited £'000	Year to 30 September 2015 Audited £'000
Cash at bank and in hand	<b>10,757</b>	8,730	9,833

For the purpose of the consolidated cashflow statement, cash and cash equivalents comprise the following:

	Six months to 31 March 2016 Unaudited £'000	Six months to 31 March 2015 Unaudited £'000	Year to 30 September 2015 Audited £'000
Cash at bank and in hand	<b>9,088</b>	7,588	8,583
Short term deposits	<b>2,586</b>	2,570	2,578
Bank overdraft	<b>(917)</b>	(1,428)	(1,326)
	<b>10,757</b>	8,730	9,833

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for variable lengths, being overnight, three months or one year (with break conditions), depending on the immediate cash requirements of the Group, and earn interest at variable rates.

At 31 March 2016 the Group had available a net £1.0m (cash less overdrawn accounts) overdraft facility from Barclays Bank plc which will fall for review in November 2016.

The fair value of cash and cash equivalents is £10.8m (31 March 2015: £8.7m).

## 8. Availability of the interim report

A copy of the interim report is available on the Company's website, [www.zytronicplc.com](http://www.zytronicplc.com), and can be obtained from the Company's registered office: Whiteley Road, Blaydon-on-Tyne, Tyne and Wear NE21 5NJ. Copies will be sent to shareholders shortly.

# Corporate information

## Board of Directors

**Tudor Griffith Davies, B.Sc.**  
Non-executive Chairman

**Mark Cambridge, B.Sc.  
(Hons), FloD**  
Chief Executive

**Claire Smith BA (Hons),  
ACMA, CGMA, CertICM**  
Group Finance Director

**David John Buffham**  
Independent Non-executive  
Director

**Sir David Robert Macgowan  
Chapman Bt., DL, B Comm**  
Senior Independent  
Non-executive Director

## Websites

[www.zytronicplc.com](http://www.zytronicplc.com)  
[www.zytronic.co.uk](http://www.zytronic.co.uk)  
[www.zytronic-inc.com](http://www.zytronic-inc.com)  
[www.zytronic.cn](http://www.zytronic.cn)  
[www.zytronic.jp](http://www.zytronic.jp)

## Secretary

**Claire Smith, BA (Hons)  
ACMA, CGMA, CertICM**  
Email: [claire.smith@zytronic.co.uk](mailto:claire.smith@zytronic.co.uk)

## Registered office

Whiteley Road  
Blaydon-on-Tyne  
Tyne and Wear  
NE21 5NJ

Tel: 0191 414 5511  
Fax: 0191 414 0545

## Registration number

3881244

## Stockbrokers and nominated adviser N+1 Singer

One Bartholomew Lane  
London  
EC2N 2AX

**Registrars  
Computershare Investor  
Services PLC**  
The Pavilions  
Bridgwater Road  
Bristol  
BS13 8AE

## Auditors Ernst & Young LLP

Citygate  
St James' Boulevard  
Newcastle-upon-Tyne  
NE1 4JD

**Bankers  
Barclays Bank plc**  
71 Grey Street  
Newcastle-upon-Tyne  
NE99 1JP

**Santander Corporate  
Banking**  
Baltic Place  
South Shore Road  
Gateshead  
NE8 3AE

**Yorkshire Bank**  
131-135 Northumberland Street  
Newcastle-upon-Tyne  
NE1 7AG

**Regions Bank**  
2653 Marietta Hwy  
Canton, GA  
30114  
USA

## Solicitors

**Ward Hadaway**  
Sandgate House  
102 Quayside  
Newcastle-upon-Tyne  
NE1 3DX

**Muckle LLP**  
Time Central  
32 Gallowgate  
Newcastle-upon-Tyne  
NE1 4BF

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**Zytronic plc**

Whiteley Road  
Blaydon-on-Tyne  
Tyne and Wear  
NE21 5NJ

Tel: 0191 414 5511

Fax: 0191 414 0545

Web: [www.zytronicplc.com](http://www.zytronicplc.com)